"COSTS" AND THE TARIFF BOARD

To the May, 1911, issue of the *Journal of Political Economy* Professor H. Parker Willis contributed a paper entitled "Costs and Tariff Revision," in which he attempted to prove that "cost of production is both practically impossible and theoretically unsound as a basis for the establishment of tariff duties," and that the proposal to establish a board or commission to deal with tariff matters "is merely one of those deceptive ideas which draw after them a group of deluded followers and which ultimately result in the popular reaction that always follows disappointment." At the meeting of the American Economic Association in December Professor Willis reiterated his views, and used practically the same arguments that appeared in the May article. His paper was received with apparent favor; the spirit of the session was evidently in accord with his views; and, in so far as the members of the Association who were present have influence in molding public opinion, the movement for tariff investigation by an independent board received a setback.

Shortly before the Economic Association met in Washington the Tariff Board submitted its report on *Wool and Manufactures of Wool* to the President, and its conclusions were made public soon after, when the report was transmitted to Congress. Since that time the full report has been published, and this, together with the report on paper and wood pulp, issued some months ago, offers a valuable test of the desirability and efficacy of such an investigation as the board has pursued. The issue has become an exceedingly important one, and Professor Willis' views deserve careful consideration and analysis.

Professor Willis states his argument in the time-honored manner of assuming that two countries, A and B, produce the commodity X. By means of these symbols he illustrates the doctrine of comparative costs, and then proceeds, by introducing one assumption after another, to consider the practical difficulties in the way of determining costs and of applying them to tariff revision. He then sum-

marizes his argument in a series of six propositions, the first five of which deal with the practical questions involved and the sixth with the theoretical basis. These propositions will be stated and discussed in order.

1. In practice the ascertainment of costs is impossible. No board or commission has the power to demand cost statements from manufacturers or producers; and if it had, it could not secure truthful statements. Moreover, there is no way of obtaining statements of any kind from foreigners.

The Tariff Board's reports on paper and wood pulp and on wool and manufactures of wool apparently disprove these sweeping statements. In the preparation of the former the Board had access to the books of 116 pulp and paper mills, representing about 80 per cent of the news-print-paper production of the United States, and to the books of 25 mills in Canada, representing 78.2 per cent of the news-print-paper output of that country; in the latter over 170 woolen and worsted mills, representing more than two-thirds of the output of the United States, opened up their books to the agents of the Board, and careful cost estimates were secured on standard fabrics in England, Germany, and France. There may be, and undoubtedly are, difficulties to be overcome in this regard, but the experience of the Tariff Board has been sufficient to demonstrate the unsoundness of this first proposition.

2. Even if all manufacturers both here and abroad were willing to throw open their books in an absolutely honest and impartial way to an all-powerful commission it would be of little service. This is because cost accounting is not generally practiced by producers and because, where it is practiced, there is no general agreement as to the treatment of different elements of cost.

The answer to this is that during recent years accountancy has made rapid progress and that some method of cost-keeping is in use in a great majority of large manufacturing establishments; that a tariff commission can determine its own method of cost accounting and prepare schedules accordingly; and that enough representative firms can be found with sufficiently complete records from which data can be obtained to conform to the uniform method adopted. That this is possible has also been demonstrated by the present Tariff Board in its reports on wool and paper. Of the 188 different woolen and worsted mills visited by agents of the Board,

it was impossible to secure results of practical value from only 14, either on account of lack of co-operation on the part of the manufacturer or lack of system in accounting. In the paper investigation there was practically no difficulty in this respect.

3. If there were a perfect system of cost accounting installed upon a uniform basis in every plant manufacturing a given article throughout the world, knowledge of comparative costs would still be of little service, since costs in every country would have to be known before any conclusions could be arrived at as to what tariff rate was needed to protect a given country against the competition of others.

In the manufacture of news-print paper Canadian costs are the only ones necessary to investigate. In wool manufactures England, France, and Germany are our only competitors; for many woolen and worsted fabrics English costs are slightly lower than French or German, and are the only ones we need to know. What is true of these industries which the Tariff Board has already investigated is true of others; probably in no case do we need to know costs in more than one or two or possibly three countries. Our trade statistics and our general knowledge of industrial conditions in foreign countries tell us where various goods are produced most cheaply and which countries are our principal competitors.

4. If all these facts were known for every country, the difficulty would be about as great as it was previously if the data were to be used for the establishment of tariff rates. This is because costs of production vary as widely within a given country as they do between different countries. Unless it were known whether a duty were to be imposed for the purpose of equalizing costs as between the best, the poorest, or the average (or normal) establishment in the several countries, the information about costs would be useless as a basis of tariff duties.

This indeed suggests a difficulty in the application of costs to tariff rates, but the existence of the difficulty is by no means an argument against the desirability of securing information about costs. This fourth proposition might be restated as follows: We levy protective duties on manufactured articles; it makes no difference how high they are as long as they offer absolute protection, or at least some degree of protection; we do not know what degree of protection is afforded to the least efficient producer, nor

whether the most efficient is enabled to make unduly large profits; it will be a hard matter to decide just whom to protect if we do get these data, so why try to get the data?

5. Even with knowledge on all of the points already enumerated, and with a clear-cut intention on the point indicated in (4) above, the cost analysis would still be inadequate because of the fact that many commodities are produced in groups, or as by-products of one another, so that to utilize the general cost analysis as a basis for tariff rates it would be necessary to know the manufacturer's intention with reference to the fixing of prices. It would further be necessary to know that the manufacturer had no disposition to establish "export prices" at rates lower than those that would be dictated by his costs of production.

The first part of this proposition presents a real obstacle to the determination of costs, viz., their allocation to various commodities when produced in groups, or when one is a by-product of another. It must be admitted that the determination of the cost of producing wool, because of the presence of mutton as an accompanying product, offers an exceedingly intricate problem and one which possibly cannot be solved satisfactorily. The situation is particularly complicated, first, because sheep are raised primarily for mutton in the eastern states (of the United States) and primarily for wool in parts of the western states; second, because there are temporary fluctuations from year to year in the relative importance of wool and mutton, and also a tendency over a series of years for mutton to gain in importance over wool; and, third, because the relative importance of wool and mutton as products of the sheep industry differs to such an extent in various countries that a method of finding wool costs in the United States may not be applicable to conditions in foreign countries.

Whether the Tariff Board has solved this riddle in the best possible way is indeed open to question. It admits in its report that "it is not possible to state in exact terms the actual cost of producing a pound of wool considered by itself, for the simple reason that wool is but one of two products of the same operation." The method of treating wool as the chief product, and of offsetting against costs the receipts from mutton, adopted by the Board for the United States, is inconclusive, because when applied to

Australian conditions it yields a wool cost of practically nothing, as compared with a net charge of ten or eleven cents a pound for western American wool. If these figures were conclusive, they might indicate that the present duty of eleven cents a pound on greasy Class I wool just about equalizes conditions, so far as the United States and Australia are concerned. But the mere fact that this method yields a cost of zero in Australia is prima facie evidence that the method is useless for determining comparative costs, and the results can be applied only with the greatest caution. The question arises, then, whether this unsatisfactory solution of the cost problem in connection with one of the most discussed commodities in the tariff controversy offers sufficient reason for the abandonment of costs in general on the ground that they are practically impossible to obtain.

In the first place it must be remembered that this objection applies to comparatively few of the commodities which are imported, and which it is our policy to protect. There are but few obstacles of this nature in the case of manufactures of wool, cotton, or silk, or in iron and steel, pulp and paper, or boots and shoes, although there would be a similar difficulty in the case of hides if we decided to reimpose a duty on them. The difficulty appears to some extent in the determination of sugar costs, because of the value of the by-products of the beet-sugar industry, and it undoubtedly occurs in the case of many chemicals. It is doubtful, however, whether there is a single instance which presents such great difficulties as the wool and mutton question, because in the case of most commodities produced in combinations the relative importance of the component products is more nearly constant, both as regards different localities and over periods of time. In fact, it would probably be impossible to find another single combination of two commodities where one is the principal product and the other the by-product in one part of the country, and where their relation is exactly reversed in another part of the country, as in the case of wool and mutton. In the majority of our manufacturing industries accounting methods have been devised, or at least may be devised so far as all practical purposes are concerned, for the allocation of expenses to the various products.

Even if we have to give up all hope of determining the actual cost of producing a pound of wool, the figures offered by the Tariff Board on total cost and total receipts per head of sheep, relative labor and forage costs, the proportions of wool and mutton receipts to total receipts, etc., in this country, Australia, and South America, all throw light on the wool situation and place us in a better position to decide whether it is a wise policy to levy a duty on raw wool, and if so, how high that duty should be. It hardly seems necessary to conclude that, because our findings must be only approximate in a few instances, we must give up the idea of determining comparative costs of the great bulk of protected commodities, or that we should decline to get as nearly correct figures as possible in the case of the few commodities where only approximate results are possible.

The second part of the fifth proposition, which refers to the familiar practice of "dumping," is more easily answered: If an industry continually sells its goods abroad at a lower price than it asks at home, and if the lower price would yield sufficient profit if applied to the whole output of the industry, there is no way to find this out and to remedy the evil except by a cost analysis. If, on the other hand, the industry "dumps" only in times of overproduction at home, it may be that this policy is entirely justifiable on the following grounds: first, that it can produce more cheaply by operating at full time; second, that if the "export prices" were applied to the whole output, they would not yield a reasonable return; and third, that the possibility of finding a foreign market for the surplus output prevents the necessity of throwing workmen out of employment by shutting down plants. At all events, it is difficult to see wherein lies the necessity of knowing that the manufacturer "had no disposition to establish export prices."

So much for the practical obstacles as expounded by Professor Willis. It would seem that they are not only greatly exaggerated, but that some of them are extremely fanciful. That there are serious practical difficulties, everyone will admit. The exactness with which costs can be determined varies for different commodities and for different industries. In spite of the backwardness of numerous concerns in their accounting systems, sufficient data are available for the determination of fairly accurate costs in most of

the important protected industries; in some industries, because of lack of co-operation on the part of the owners, faulty accounting methods, or complications with regard to by-products, less accurate, but at the same time valuable, information can be secured. The obstacles to finding comparative costs are by no means insurmountable, and approximate results are better than none at all—provided that costs are *theoretically* sound as a basis for tariff revision; and this leads us to the sixth proposition.

6. If all of the foregoing factors were known, including positive data regarding the intention of the manufacturer in regard to the establishment of prices, there would still remain the question whether this information about costs, which is necessarily stated in terms of money, would have any real significance of a permanent economic character. Money costs do not correspond in all cases to real costs as measured by sacrifice of labor and capital. It may be true that a given country can produce much more cheaply than another, yet it does not follow that it will so produce, since its cost advantage in some other line may be so much greater as to dictate its devoting its attention almost exclusively to that line.

The reference to money costs merely clouds the issue. The immediate determinant of international exchangeability is relative prices. Prices are determined largely—to what extent will be discussed below—by cost of production. The real cost, in contradistinction to money cost, has little bearing on the problem. It makes no difference to us whether it takes four days of labor or ten days of labor to make a particular commodity in a foreign country; we will not buy it unless the money cost is lower than the money cost in this country, where the same commodity may perhaps be produced for only two days' labor, but where the rate of wages may be twice as high as in the foreign country. Costs not only must necessarily be stated in terms of money, as Professor Willis admits, but, very fortunately, they can be and are so stated in all the principal manufacturing countries. The really fundamental question is not the relation between real costs and money costs, but between money costs and international values. If it can be shown that international values are not in any way determined by cost of production, we shall immediately have to abandon costs as a basis for tariff revision; if, on the other hand, it can be proved that there is a very intimate relation between the two, then we can hope for some good from a study of costs.

The reader will recognize in the last sentence of the sixth proposition a statement of the doctrine of "comparative costs" as first expounded by Ricardo, and as universally accepted since his day. It should be noted in passing that the term "comparative costs" was probably drawn into current political discussion from the economic textbooks, but with a slightly different meaning. In its classical sense it implies comparison between costs of different articles in the same country, while in the popular sense it implies only a comparison between the absolute cost of a given commodity in two or more countries. Now this doctrine, in its economic sense, is merely an *explanation* of international *trade*, not a *theory* of international *values*, and yet Professor Willis, by merely stating and applying the doctrine, feels justified in concluding that the basing of tariff rates on costs is theoretically unsound. As a matter of fact, he has not even assailed the theoretical basis of the relation of costs to international values, and hence his conclusion is untenable. This failure even to consider the fundamental theoretical question is also obvious from a perusal of the following excerpt which preceded the statement of the six propositions in his article:

> Suppose however that with the application of a given amount of labor and capital only one-half as much of X can be produced in country A as in country B. Then, on the basis of the familiar protective theory, if X is to be produced in A, a duty must be imposed upon quantities of X shipped from B to A equal to this difference in cost. Such a duty will presumably equalize the conditions and prevent the manufacturers of A from being driven out of business by the low-priced goods shipped from B. This, however, assumes that the differences in cost of production between the two countries can be more or less accurately measured in money and that in fixing the protective duty a rate can be established which will roughly correspond to these differences in cost as stated in terms of money.

Here again it will be seen that although he opened the way for a consideration of the relation of costs to international values, he immediately passed on to the practical difficulties of determining costs.

John Stuart Mill declared that international values are not determined by cost of production as are domestic values, and he expounded his theory of the "equation of reciprocal demand." Cairnes agreed with Mill in the main features of his theory, and concluded that although cost *controls* international values, recipro-

cal demand *determines* them. Since the day of Mill and Cairnes we have come to recognize that there is no essential difference between the theories of international and domestic values, and the theory of reciprocal demand has been merged into the broader principle of marginal utility as a fundamental explanation of all values.

By applying the principle of marginal utility, it is apparent that a case might be established against the basing of tariff rates on differences in absolute costs, because it would be easy to point out instances where cost of production has little relation to the price charged for a commodity by the producers in one country to the merchants of another. To discuss fully the theory of international value it would be necessary to consider the relative importance of supply and demand in various possible cases such as trade affected by a monopoly in one country, the influence of laws of increasing and diminishing returns, etc. This, however, is not necessary in the case at hand. In whatever way demand may influence prices in particular cases, we have a practical situation to face. Obviously a study of costs would be of no avail in an attempt to fix duties on coffee or cocoa or tea or jute. Our protective policy does not aim to protect goods that we cannot and do not produce. What it does aim to protect is those goods which we do produce, the absolute cost of production of which is higher, or supposed to be higher, in this country than abroad. Our trade history and experience teach us what these goods are, and our problem is to adjust the duties on these articles in the most equitable manner.

When Cairnes said that costs *control* international values rather than *determine* them, he meant that the cost of production sets a limit to the fluctuations in value. Even though he did not think in terms of marginal utility, it will readily be granted that he was right in this particular, and that the cost of production of a particular commodity in any country sets the minimum price that can be charged by that country to another.[1] Just so it is in the case of

[1] "Dumping" constitutes a possible exception to this rule, but even this practice can be explained in terms of cost of production. Furthermore, such a small portion of international trade is carried on at special export prices which are apparently below cost of production, and "dumping" is so rarely practiced against a country with a high protective barrier, that it may be disregarded.

commodities the manufacture of which we are striving to protect. The cost of production abroad, plus the duty, determines the lowest price that can be charged for foreign commodities in this country. If this price is lower than the price charged in this country for a similar commodity, we shall import from abroad; if it is higher, we shall use the domestic product. The lowest possible price will be charged for the domestic product when there is foreign competition, and this price must necessarily be determined by the cost of production.

Although it will perhaps be granted that this explanation clears up the relation between costs and international values for the great majority of commodities which enter into international trade, difficulty is encountered in applying it to articles which are produced in conjunction with each other, especially where two or more such articles are of varying importance, as, again, in the case of wool and mutton. The most that can be said in this connection is that the cost of raising sheep sets a minimum below which the total value of wool and mutton together cannot fall. How much of this total value is borne by the wool at any one time, and how much by the mutton, depends principally on the relative demand for the two commodities, and as demand varies from time to time, so do the respective values of the two products vary. In other words, it cannot be said that the value of either product alone is determined by its cost of production, and in so far as the cost of producing wool can be determined at all, it is necessary to begin with the value and figure backward, prorating a portion of the joint cost to wool and a portion to mutton. This the Tariff Board declined to do on the ground that changes in values of wool and mutton result in changes in their respective costs, and contented itself with the method referred to above of considering wool the principal product and mutton the by-product, even though its own figures show that in the western states the receipts from wool constitute only 45.7 per cent of the total receipts from sheep raising (Vol. II, p. 342), and when applied to Australia the cost of wool is practically zero.

It is necessary, therefore, to qualify our conclusion as to the relation between costs and international values by saying that

although cost of production sets a minimum below which the value of the majority of commodities cannot fall, there are certain cases of commodities produced in groups where the joint cost determines the minimum joint value. As a general proposition, however, it is safe to conclude that in the long run costs play an all-important part in the determination of international values, especially of those articles which the United States produces in competition with foreign countries, and that therefore comparative costs furnish a sound basis for the imposition of import duties. It must also be clear that Professor Willis failed even to consider the fundamental question involved, and that his contention that cost of production as a basis for tariff revision is *theoretically* unsound was not proved.[1]

[1] Since the writing of this article, the paper that Professor Willis read at the American Economic Association meeting in December, 1911, has appeared in the *Papers and Discussions*, published as a supplement to the *American Economic Review*. Here he pays some attention to the fundamental question of the relation between cost of production and international value. His discussion of this point, however, is confined to one paragraph, in which he calls Professor Taussig to his support by using the following quotation from his recently published work: "The ultimate determinant of value where there are noncompeting groups is marginal utility, not cost in the sense of labor and effort. . . . . Expenses of production or outlays paid to secure labor are thus the results of value rather than the causes of value. . . . . The exchanges between different countries are analogous to the noncompeting groups within a country. . . . . The rates of exchange in both cases are settled by broad causes acting slowly and little liable to disturbance except over long periods of time."

It will be noticed that this quotation consists of four scattered sentences; they are to be found in the second volume, chap. xlviii, where Professor Taussig discusses the theory of value as affected by the existence of noncompeting groups, that is, groups caused by social stratification. A careful reading of this chapter, together with those on international trade in the first volume, suggests that the quotation made by Professor Willis does not fairly represent Professor Taussig's views on the relation between cost of production and international value. There is nothing to indicate that he would extend the conception of noncompeting groups to include the competing producers of cotton goods, iron and steel products, or woolen goods, in England, Germany, and the United States. In fact, Professor Taussig's views on this point are expressed in the very chapter from which Professor Willis has so ingeniously culled his scattered sentences as follows: "The main currents of international trade are still determined, as between the civilized countries at least, by the comparative efficiency of labor in producing the imported and exported commodities" (Vol. II, p. 156).

Many other passages might be cited to show that Professor Taussig explains international values in terms of the "effectiveness of labor"—which is of course a pure cost theory of value. Furthermore, when Professor Taussig discusses the soundness of comparative costs as a basis of tariff rates—as he has done in his *Principles of Economics*, in his *Tariff History of the United States*, and in a recent article in the *North*

Professor Willis proceeds in his article to consider the Democratic policy of a "revenue tariff," and well brings out the fact not only that we can hope for no purely revenue tariff from the members of that party, but that they seem to have no very clear conception of what a tariff for revenue really is. He then addresses himself to the question "whether, entirely apart from the question of cost of production, there may not be an advantage in having a scientific board or commission constantly at work upon the tariff, accumulating and systematizing information with reference to existing duties, and indicating the points at which changes may properly be made, or, at all events, points where present rates are not working satisfactorily." Those who agree with the present writer that "costs" are not the "economic *ignis fatuus*" that Professor Willis claims them to be will further agree that the advisability of maintaining an independent tariff board or commission cannot be properly discussed entirely apart from the question of cost of production, and this might be considered the first weak point in his argument against the Tariff Board.

The remainder of the argument may be summed up in the three following propositions:[1]

1. A tariff commission cannot be granted legislative power; the President needs only the aid of the State Department in order to make such changes in duties as Congress gives him power to make; the task of tariff administration belongs to the Treasury Department, and this function could not properly be given over to a tariff board; the judicial settlement of tariff questions has been

American Review—he apparently concedes the soundness of the fundamental question involved, and attacks the proposition on the ground that if logically applied to all commodities it would entirely destroy international trade. (In answer to this argument, it might be said that if it were the intention of the framers of the last national Republican platform to extend protection to all possible commodities there is nothing to deter them—except perhaps public opinion—from proceeding by the same haphazard method of determining duties that they have always employed in the past.) As to the point under review, however, the present writer believes that he is amply justified in claiming Professor Taussig's support for himself.

[1] In his address before the American Economic Association, Professor Willis omits these arguments, and even suggests a possible field of activity for a tariff board. Although this indicates a change of heart since the writing of the May article, the fact that that article was published, and that it has attracted considerable attention appears to justify the present discussion of the arguments contained therein.

provided for by the establishment of a customs court; consequently "all that remains for the commission to do is to pass upon industrial conditions and to make up its mind when changes in such conditions call for a change in tariff duties."

2. Very poor results may be expected from an investigative commission made up of various persons with conflicting views; such work is accomplished far better by a centralized bureau with a single individual at the head.

3. The tariff problem is a partisan one, and facts procured by a commission are open to a twofold interpretation; the desirability of a commission implies a "preliminary admission that protection is a desirable thing and that the amount of it which is 'needed' can be accurately measured"—admissions which will not be granted by all people.

For these reasons Professor Willis concludes that "the tariff commission movement, though it has its good features, is one of those mistaken political agitations which from time to time enlist strong support in their behalf and succeed in presenting to the public the appearance of furnishing a solution of some vexed problem." Let us examine these three propositions.

1. No thoughtful student of the problem seriously considers the turning-over of the legislative function to a tariff board. Even if academicians should come to the conclusion that such a course would be advisable, it would be idle to propose the matter because Congress will never yield its power in the framing of tariff bills. As Chairman Emery said in a speech delivered before the National Association of Cotton Manufacturers in September, 1911, "A tariff board should neither propose nor dispose (these are functions of Congress), it should merely disclose." Although something might be said in support of the view that a tariff board could render valuable assistance to the President in applying the maximum and minimum provisions of the tariff, as the present board has done within the past two years, the references to this, and to the matters of tariff administration and adjudication are entirely irrelevant. Everybody who has any knowledge of the intricacies of the various schedules will admit that "all that remains" in the way of passing on industrial conditions, investigating the workings of the various

duties, and determining costs of production, furnishes a sufficiently wide and important field of work for a tariff board.

2. The argument that the work could be done better by another form of organization—by a centralized bureau like the Bureau of Corporations—is a little beside the point. This is a matter that must be carefully considered before a permanent board is provided for by Congress, as is also the question whether such a board should form a part of the executive branch of the government, or be subservient directly to Congress. The present board is largely in the nature of an experiment, and the possibility of our having such a valuable object-lesson is due to the wisdom of the President in making the most of conditions which were decidedly adverse to the attempting of such an experiment. Although there is reason to believe that the present board has already justified its existence, and possibly its form of organization, the point under consideration is whether there should be any such special body of experts to study tariff matters—and criticism of the organization of the present board does not in any way help to make out a case against the establishment of some such body on a permanent basis.

3. We are told that there is a difference of opinion as to whether there should be free trade or protection, and that the existence of a tariff board which shall collect data to aid in the fixing of duties implies a preliminary admission that protection is desirable. Now if there were any question as to the policy of the United States in this regard, there might be some slight reason to doubt the desirability of having a tariff board. What we have to deal with is not the question whether we shall have free trade or protection, but how shall we carry out our protective policy with the greatest justice? It is high time for us to realize that protection is an established policy of the United States. Ever since 1816—or some might say 1824—we have had a protective tariff. Even the so-called free-trade tariff of 1846 was in the main a protective one and carried duties of 30 per cent on the most important imports which competed with American industries. Since the Civil War we have had extreme protection; the Wilson bill of 1894, although it lowered a few duties, was highly protective; so were the Mills bill and other Democratic tariff measures that failed to become

laws. Although there is prospect at present that there will be reductions of duties in the near future, there is absolutely no doubt but that the policy of protection will continue for many years to come.

It is largely because of their refusal to grasp this practical point of view that economists have failed to exert more of an influence in tariff matters. When they have given their thought and attention to the subject they have considered only the question of free trade versus protection, and when they have enunciated their views to their university classes and to the public in writings and speeches, they have continually portrayed the glories of free trade and urged it as the proper course for this country to pursue. Their teachings may be sound—that question is not under consideration at present—but how much more good they might have been doing if they had recognized protection as the established policy of the country and devoted their study and writings to the intricacies of the cotton schedule, or the iron and steel duties, and pointed out where this duty is maladjusted, and where that duty is fair and reasonable! In this way they might have aided in throwing light on some of the many discriminations and favors to special interests which have crept into our tariff laws in the form of "jokers" and ambiguities, the workings of which the public has not been able to foresee or understand.

Some work of this kind has been done, especially by younger students in their doctoral dissertations, and this is an encouraging sign. It is just such work that the Tariff Board has been undertaking, except that its field has been much more comprehensive, its study much more profound, and its findings much more authoritative than similar work carried on by individual investigators can ever hope to be. Professor Emery said in the speech above referred to:

> . . . . granted that Congress and the people have determined on a certain general policy, such an investigation as ours would furnish the knowledge on which to apply it in detail, so as to get the actual results desired. It frequently has happened in the past, not only in the case of the tariff, but in the case of legislation in many other lines, that laws intended to secure a certain condition

of affairs have resulted in quite a different condition of affairs. This has been the result of inadequate knowledge, or incomplete consideration of the factors involved.

No one who has devoted any study to the wool industry and to Schedule K can fail to appreciate the enormous value of the Tariff Board's report on this subject in spite of its apparent failure to treat some points in the best possible way. The conclusive manner in which the report points out the discriminatory workings of the specific duty on raw wool imported "in the grease," and the advantages of levying the duty on a "scoured basis"; the workings of the compensatory duties, and the prohibitive features of the schedule; the fact that domestic prices are not raised by anything like the full amount of the duties; the differences in cost of tops, yarns, and fabrics, between this country and England, France, and Germany; the fact that the woolen manufacturer receives a profit of only 23 cents on the cloth that enters a suit of clothes which retails for $23.50, and that all the cloth that enters such a suit costs less than five dollars, notwithstanding the fact that one of our most prominent and reputable weeklies told us not long since that the duty on woolen goods raised the price of a twenty-dollar suit of clothes by about five dollars—all these things, and many others fully as valuable, were made public in the recent report. Is it not worth while for us to have information of this sort, or shall we continue to preach free trade and let the log-rollers in Washington continue to fix duties as the manufacturers tell them to, without the public's knowing anything about it?

The possibility of a Democratic administration in the near future undoubtedly complicates the Tariff Board question, and for political reasons there is danger that the present board may not be made permanent. So far as public policy is concerned, however, the need of a tariff commission is just as great under a Democratic as under a Republican régime. If the Democrats should really try to frame a revenue tariff, they would need a commission of experts to teach them what a "tariff for revenue only" really is; if they mean to pass another protective tariff, but with reduced rates—and this is the only thing that may be expected—the need of a

tariff commission is just as important, because the industrial effects of reduced duties cannot be measured or forecasted in any suitable degree by a congressional committee.

The case for the Tariff Board rests by no means on the cost-of-production question, although perhaps the most important work that such a board can do is to determine to what extent existing duties are more than adequate to offset differences in comparative costs. Public opinion will eventually force such duties down in spite of the probable opposition of the extreme protectionists. There are also many other lines of investigation to which an independent board can profitably give its time, such as relative prices, profits, capitalization, the economic benefits accruing from the development of different industries, labor conditions at home and abroad, the machinery of distributive systems in the various trades, the classification of commodities in the tariff act, etc. On the whole, the movement is distinctly constructive, and deserves the support of protectionists and free traders alike, be they legislators or professional economists. At the same time, the methods and findings of such a board as the present one should be studied critically; not, however, with a view of discrediting the whole movement, but in a friendly spirit, and with an aim to make such investigations as effective and as valuable as possible.

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